

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 2659 – SB 2622**

February 5, 2012

**SUMMARY OF BILL:** Exempts the retail sale of funeral merchandise, such as caskets, vaults, and urns, from state and local sales tax.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact - \$7,696,200**

**Decrease Local Revenue - \$3,251,400**

**Assumptions:**

- Based on average mortality rates published by the Department of Health (DOH), it is estimated that 45,692 Tennesseans will die during FY12-13. This number is assumed to remain constant in subsequent years. The estimate is based on the average ratio (from 2005 through 2009) for deaths to total state population (identified by DOH on its website), which is approximately 0.72 percent, and the current state population estimate by the U.S. Census Bureau of 6,346,105.
- Based on information provided by the Department of Revenue, the average cost for a casket is estimated to be approximately \$2,450, the average cost of a vault is estimated to be \$800, and the average cost of an urn is estimated to be \$85.
- One hundred percent of casketed deaths utilize both a casket and vault.
- Approximately 23 percent of deaths will be cremated; the remaining 77 percent will be casketed.
- Taxable sales are estimated to be \$115,237,509  $\{[45,692 \times 77.0\% \times (\$2,450 + \$800)] + [45,692 \times 23.0\% \times \$85]\}$ . This number is assumed to remain constant in subsequent years.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent.
- The recurring decrease in state sales tax revenue is estimated to be \$8,066,626  $(\$115,237,509 \times 7.0\%)$ ; the recurring decrease in local option sales tax revenue is estimated to be \$2,880,938  $(\$115,237,509 \times 2.5\%)$ .
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.5925 percent of state sales tax revenue as state-shared sales tax revenue.

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- The net recurring decrease in state revenue is estimated to be \$7,696,166 [ $\$8,066,626 - (\$8,066,626 \times 4.5925)$ ].
- The total recurring decrease in local revenue is estimated to be \$3,251,398 [ $\$2,880,938 + (\$8,066,626 \times 4.5925)$ ].

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" and last name "Geise" clearly distinguishable.

Lucian D. Geise, Executive Director

/rnc